

Folger Hill Asset Management LP
and its “Relying Advisers”
Folger Hill Asset Management (Hong Kong) Limited
and
Folger Hill GP LLC

Part 2A of Form ADV
The Brochure

900 Third Avenue, 23rd Floor, New York, NY 10022

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This brochure provides information about the qualifications and business practices of Folger Hill Asset Management LP (“FHAM US”) and its relying advisers, Folger Hill Asset Management (Hong Kong) Limited (“FHAM HK”) and Folger Hill GP LLC (“General Partner”). FHAM US, FHAM HK, and General Partner are collectively referred to as “Folger Hill”. If you have any questions about the contents of this brochure, please contact us at (212) 407-9100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Folger Hill is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

This version of the Part 2A of Form ADV has been amended throughout to incorporate disclosure regarding the activities of FHAM US's relying advisers, FHAM HK and the General Partner. As the amendments have been made throughout the Part 2A, prospective and existing clients and investors are encouraged to review the full document and to contact Folger Hill at the phone number on the cover page with any questions. This filing supersedes Folger Hill's annual filing with the SEC dated March 30, 2016.

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Advisory Business

FHAM US provides discretionary investment advisory services and serves as investment manager to collective investment vehicles (each a "Fund" or collectively, "Funds") (limited partners and/or shareholders in the Feeder Funds (as defined below) are referred to as "Investors").

The Funds consist of Folger Hill Partners LP (the "Domestic Feeder"), Folger Hill Partners Master Fund LP (the "Master Fund"), and Folger Hill Partners (Cayman) Ltd. (the "Offshore Feeder"; the Domestic Feeder and the Offshore Feeder are collectively referred to as the "Feeder Funds"). The Feeder Funds invest all or substantially all of their assets through the Master Fund. The General Partner, which is a related entity of Folger Hill, serves as the general partner to the Domestic Feeder and the Master Fund. The Funds are not registered under the Securities Act of 1933, as amended (the "Securities Act"), or the Investment Company Act of 1940, as amended (the "Investment Company Act"), and only interests in the Feeder Funds are offered to Investors. Accordingly, interests in the Feeder Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability

requirements either in private transactions within the United States or in offshore transactions. More information about the Funds is available in the Confidential Private Placement Memorandum for the Domestic Feeder (the “Domestic PPM”) and the Confidential Offering Memorandum for the Offshore Fund (the “Offshore OM”); the Domestic PPM and the Offshore OM are collectively referred to as the “PPM”).

In addition to its management of the Funds, FHAM US serves as investment manager to separately managed accounts (“SMAs”, the SMAs and Funds are collectively referred to as “Clients”) established to primarily invest in the Asian markets. Acting in its capacity as investment manager, FHAM US has engaged its relying adviser affiliate, FHAM HK, as a sub-adviser to implement strategies focusing on Asian markets. FHAM HK similarly manages a portion of the capital of the Master Fund. FHAM HK maintains full investment discretion over the SMAs and the portion of the Master Fund’s capital allocated to FHAM HK, in all cases subject to any investment guidelines and the other limitations set forth in the applicable Investment Management Agreements (“IMAs”). Management of the SMAs and the portion of the capital of the Master Fund managed by FHAM HK, together with all future accounts and investment vehicles managed in a similar capacity and pursuant to a similar investment strategy by FHAM HK, are collectively referred to herein as the “APAC Business.”

FHAM US was founded in 2014 and its principal owners are Mr. Sol Kumin and Leucadia National Corporation (“Leucadia”). FHAM US’s regulatory assets under management were \$1.683 billion as of December 31, 2016.

Fees and Compensation

A. Funds

The Feeder Funds employ an expense-based pass-through model and do not pay management fees or any other asset-based fee to Folger Hill. Rather, each Investor will generally be subject to its pro-rata share of pass through expenses (“PTEs”) based on the ratio of the balance of such Investor’s “Capital Account” to the Capital Accounts of all of the Investors in the Feeder Funds. As a general matter, PTEs include both “Fund Expenses” and “Manager Expenses” as included below (note that the list is not exhaustive):

Fund Expenses

- the Master Fund’s trading related expenses, such as brokerage commissions, financing, interest and borrowing fees and expenses, mark-ups, securities lending fees and expenses, exchange fees and clearing fees, all fees and expenses related to the trading of derivatives, all fees and expenses paid to prime brokers and all other fees or expenses related to the Master Fund’s trading and investment activities, including management and incentive fees paid to Third-Party Managers as described below;
- all costs and expenses related to the organization and initial offering of the Funds (“Organizational Expenses”), as well as all costs and expenses related to the organization of any subsidiary of the Master Fund formed in the future;
- the Funds’ professional expenses including legal, administrative, accounting, auditing, tax compliance and consulting expenses (including the fees paid to SS&C GlobeOp, the

Funds' Administrator, accountants, auditors and other service providers), the fees and expenses of the independent directors of the Offshore Feeder, and costs and expenses relating to regulatory compliance, including costs of regulatory filings relating to the Funds;

- all fees charged by placement agents in connection with their placement of interests in the Feeder Funds, which will be specially allocated to the particular Investor introduced to a Feeder Fund by such placement agent;
- any taxes and duties payable in any jurisdiction in connection with the Funds' investing and trading activities or operations;
- all of the expenses and/or liabilities incurred in connection with or arising out of the Funds' or Folger Hill's activities, including bank fees, indemnification, litigation or other extraordinary or nonrecurring expenses.

Manager Expenses

- performance-based bonuses paid to Folger Hill employees, including (a) Portfolio Manager (as defined below) bonuses based on the gross performance of their respective portfolios net of any expenses allocated to such Portfolio Manager in Folger Hill's sole discretion ("PM Bonuses") and (b) discretionary performance-based compensation paid to non-Portfolio Manager personnel of the Investment Manager (other than Mr. Kumin);
- all expenses in connection with all employees of Folger Hill and entities under common control with Folger Hill, including all base compensation and benefits. Such employee-related expenses may include holiday gift cards and team-building activities such as employee social events, holiday parties and related travel;
- expenses relating to personnel recruiting and severance arrangements of Folger Hill including hiring, on-boarding and termination of employees (including recruitment fees and retainers paid, fees and expenses relating to participation at industry-related conferences and events, certain up-front compensation and buy-out payments payable to employees, and related legal expenses);
- Folger Hill's expenses relating to their professional service providers including legal, administrative, accounting (including costs associated with the annual audit of FHAM US's financial statements), auditing, tax compliance and consulting expenses and fees and expenses relating to compliance matters, including costs of compliance programs, surveillance, regulatory examinations, regulatory or legal inquiries and regulatory filings relating to Folger Hill;
- insurance expenses including errors and omissions policies which protect certain employees and affiliates of Folger Hill and in respect of which a Fund is the beneficiary;
- fees or expenses relating to consultants retained by Folger Hill for investment and non-investment purposes, including public relations and other consultants retained by Folger Hill to improve their business;
- communication systems expenses, including expenses relating to advanced telecommunications equipment and data transmission lines;
- information systems and technology expenses incurred by Folger Hill (such as costs associated with employees' home-office technology set-ups and shared remote working locations), including trading systems, order management systems, middle and back

office expenses, risk management systems, investor reporting expenses, data warehousing expenses and software development;

- expenses relating to furniture and fixtures (such as artwork and related office furnishings) and the rent and facilities of Folger Hill (for the current offices in New York, Boston, and Hong Kong, as well as any future offices established by Folger Hill), including leasehold improvements;
- expenses relating to investment research, development of investment strategies, quotation services, data feeds and services employed by Folger Hill;
- expenses relating to the marketing, offering and sale of the Funds, as well as the ongoing investor relations and servicing expenses associated with the Funds;
- investment-related travel and non-investment-related travel (including travel by employees of Folger Hill between its—offices), entertainment, meals, occupancy expenses incurred by Folger Hill. Travel expenses may include private, business and first class airline travel expenses to the extent such expenses are permitted under the travel and expense policies of Folger Hill, as in effect from time to time;
- Folger Hill’s direct and indirect general operating and administrative expenses, including expenses relating to its general operating assets, Folger Hill’s initial technological and operational buildout and a service level agreement with Jefferies LLC, a wholly-owned subsidiary of Leucadia (“Jefferies”), and Leucadia related to human resource functions, the leasing of real estate and other functions;
- principal, interest and financing costs incurred in connection with borrowings made by Folger Hill, including in respect of a credit facility provided by Leucadia;
- any taxes or other government filing fees that Folger Hill is subject to; and
- any other expenses reasonably incurred in connection with the operations and business of Folger Hill.

Allocations of capital made by the Master Fund to managers not affiliated with Folger Hill (“Third-Party Managers”) may be subject to additional fees not listed above, including management and incentive fees paid to such Third-Party Managers.

Folger Hill may accrue PTEs over multiple accounting periods in its sole discretion, and Organizational Expenses in connection with the establishment of their operations and infrastructure and the Fund’s organization, initial offering of Interests and commencement of trading and investing activities are amortized over a period of up to 60 months beginning March 2, 2015. The General Partner will generally allocate all PTEs incurred by the Feeder Funds on a pro-rata basis first, among the Feeder Funds based on their respective net asset values and second, among the Investors therein based on their respective Capital Account balances or the aggregate net asset value of their shares, as applicable. However, Folger Hill may allocate all or a portion of specific PTEs to one or more of the Feeder Funds or specific Investors in its discretion if it determines in good faith that such allocation would be more equitable than an allocation on a pro-rata basis. A discussion of the potential conflicts of interest relating to the PTE structure is discussed in the *Conflicts of Interest* section below.

Prior to June 1, 2015, interests were offered in various founders series of interests (each, a “Founders Series”) with varying lock-up periods (ranging from no lock-up to a three-year lock-up period). Founders Series interests are generally subject to a 25% soft investor-level gate and

lower Profit Allocation Rates than those applicable to Standard Series Interests (as defined below).

Interests are currently being offered in various standard series of interests (each, a “Standard Series”) as well as in “Direct Series” which are interests being offered through a placement agent arrangement with the sponsor of an advisory/brokerage platform on behalf of its clients. Each of the Standard Series and Direct Series are subject to varying lock-up periods (ranging from no lock-up to a two-year lock-up period). After the expiration of any Feeder Fund lock-up period, an Investor in any other Founders Series, Standard Series, or Direct Series will be permitted to withdraw from the Feeder Fund (as of each calendar quarter-end upon 45 days’ prior written notice), but may be assessed a 5% withdrawal fee, payable to the respective Feeder Fund, for amounts withdrawn in excess of the 25% soft investor-level gate.

B. SMAs

The SMA s employ a similar expense-based pass-through model as the Funds and do not pay management fees or any other asset-based fee to Folger Hill. Generally, the PTEs incurred solely in respect of an SMA shall be passed through to the applicable SMA. The SMA s and the portion of the Master Fund’s capital that is allocated for management by FHAM HK will share on a pro-rata basis in bearing all PTEs associated with the APAC Business including start-up and organizational expenses.

Additionally, Folger Hill may, from time to time, form one or more entities under common control with Folger Hill for purposes of transacting or undertaking other investment activities in a particular jurisdiction with respect to a particular strategy on behalf of the Funds or other Clients. Only Clients who benefit from the establishment of a new entity will be subject to their pro-rata share of the PTEs attributable to the establishment and ongoing operations of any such affiliate.

Performance Based Fees

In addition to the expense-based pass-through model noted in the *Fees and Compensation* section above, Folger Hill will receive a performance based fee (the “Profit Allocation”) in respect of the Funds at the Master Fund level equal to a percentage ranging from 10% for the “Founders Series” of the Feeder Fund, to 15% to 20% (depending on the “Standard Series” of the Feeder Fund) that takes into account realized and unrealized gains and losses, the payment of PTEs and any loss carryforwards. The Profit Allocation generally accrues annually; however, should an Investor partially or fully withdraw capital from a Feeder Fund, the Profit Allocation accrued to date will be assessed accordingly. Certain Investors, including but not limited to, employees of Folger Hill or its affiliates, may not be assessed the Profit Allocation, at the discretion of Folger Hill. More information about the expense-based pass-through model and Profit Allocation is available in the PPM.

The SMA s will be subject to a performance based fee equal to 5% of the realized and unrealized gains and losses, after deduction for all PTEs and any loss carryforwards. Folger Hill views its initial SMA investors as “seed investors”, and therefore, has extended what it believes to be favorable terms in respect of the performance based fee to the SMA s. Folger Hill does not anticipate the availability of such favorable terms to new SMA s. More

information about the expense-based pass-through model and performance based fee is set forth in the SMAs' respective IMAs.

The existence of performance based fees, as well as PM bonuses, could theoretically incentivize Folger Hill to manage Client portfolios in a more aggressive, risky manner; however, Folger Hill attempts to minimize this risk by ensuring that it is managing portfolios in accordance with stated investment objectives. In addition, as noted, the Profit Allocation/performance based fee and PM bonuses received by Folger Hill and Portfolio Managers are based in part on realized and unrealized gains and losses. As a result, the Profit Allocation/performance based fee and PM bonuses could be based on unrealized gains that Investors/SMA account holders may never realize.

Types of Clients

As noted in the *Advisory Business* section above, Folger Hill provides discretionary investment advisory services to its Clients. Although capital contributions may be accepted for lesser amounts, the minimum investment in a Feeder Fund is generally \$5,000,000, and the minimum additional capital contribution is \$1,000,000. No minimum asset level has been established, and FHAM US and FHAM HK will consider requests for SMAs on a case-by-case basis. Fund Investors and SMA account holders must be: (i) "qualified purchasers" within the meaning of the Investment Company Act; and (ii) "accredited investors" within the meaning of Regulation D under the Securities Act.

In addition, each U.S. Investor in the Feeder Funds that is charged the Profit Allocation and each SMA account holder described in the *Performance Based Fees* section above must also satisfy the eligibility requirements of a "qualified client" as set forth in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

From time-to-time, certain firms or individuals that Folger Hill and/or the Funds conduct business with may invest in the Feeder Funds and/or maintain an SMA managed by FHAM US and/or FHAM HK. There is a potential conflict of interest arising from such investments in that Folger Hill and/or the Funds may have an incentive to maintain or increase its level of business with such individuals or firms as a result of these investments (e.g., service providers and broker/dealers utilized by FHAM US and/or FHAM HK). However, the relationships are evaluated on an ongoing basis in the context of these investments in order to ensure that these potential conflicts of interests are appropriately addressed.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis, Investment Strategy and Objective. The Funds' investment objective is to consistently generate attractive, risk-adjusted returns in all market environments and to preserve investor capital. The General Partner and FHAM US will seek to achieve this investment objective by allocating the assets of the Master Fund to the discretionary investment authority of a number of Folger Hill's portfolio managers and their investment teams ("Portfolio Managers") that employ a wide range of long/short equity and related investing strategies. Certain of the Master Fund's assets may also in the future be allocated for management by unaffiliated third-party managers that provide exposure to specific jurisdictions

and/or investment strategies. The long/short equity and related investing strategies collectively employed by Portfolio Managers will not be limited in any respect, including but not limited to, in respect of sector, market capitalization, geography or style.

The SMAs' investment objectives are to realize maximum capital appreciation, consistent with the investment guidelines (as set forth in the SMAs' IMAs), by trading in certain equity securities, futures contracts, options contracts and other products.

Clients will invest on both a cash and synthetic basis and take short positions for both speculative and hedging purposes. Folger Hill may cause Clients to incur significant leverage in executing the investment programs through both cash and synthetic borrowings, as well as a result of any leverage embedded in any derivative that it trades. In addition to equities and equity indices, Clients may invest in foreign and domestically traded preferred stocks, warrants, fixed income instruments, options, futures and other derivatives and financial instruments to supplement its investment strategies. Folger Hill will have full discretion to allocate capital among its Portfolio Managers subject to any applicable investment guidelines, and may expand Clients' investment program over time by incorporating quantitative and other strategies or adding additional asset classes in which Clients may invest or trade.

When evaluating securities for investment, Folger Hill employs various valuation techniques and conducts comprehensive due diligence, including, but not limited to: company and manager visits, discussions with company management, qualitative and quantitative screening, and consultations with its network of industry and due diligence consultants.

Risks. There is high risk associated with Folger Hill's investment techniques. An investment in a Feeder Fund or in an SMA should only be made after consultation with independent qualified sources of investment and tax advice.

General Risks

Potential Loss of Investment. No guarantee or representation is made that the Clients' investment programs will be successful, achieve its objective or avoid losses. There is a risk that Clients' investments will be lost entirely or in part. Folger Hill's investment programs do not represent a complete investment program and should represent no more than a portion of an Investor's or SMA account holder's portfolio management strategy. Set forth below is a non-exhaustive list of risks associated with Folger Hill's investment strategies.

There is Only Limited Operating History for the Fund and Folger Hill. There is only a limited operating history by which to evaluate the potential future performance of the General Partner and Folger Hill and no operating history by which to evaluate FHAM HK and its investment strategy. Past performance is not necessarily indicative of future results.

Possible Positive Correlation with Stocks and Bonds. One of the goals in incorporating a non-traditional investment into a portfolio is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important,

that Clients will, in fact, experience a low level of correlation with a traditional portfolio of stocks and bonds. Folger Hill's general focus on equity investments may increase the likelihood of such correlation.

Financing Arrangements; Availability of Credit. Clients' use of leverage will depend on the availability of credit in order to finance its portfolio. There can be no assurance that Clients will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to Clients can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel Clients to liquidate all or part of their portfolios at disadvantageous prices. The financing available to Clients from banks, dealers and other counterparts is likely to be restricted in disrupted markets.

Competition. Clients will compete with numerous other private investment funds, asset managers and financial institutions (both diversified and specialized funds), as well as other investors, many of which have substantially greater resources than Clients. Competition from other market participants may impede Clients' abilities to raise and maintain sufficient assets necessary to finance their operations, including the payment of PTEs, achieve certain diversification targets or evolve their investment program. Further, such competition may hinder the ability of Folger Hill to recruit and retain Portfolio Managers and find other managers to implement Clients' investment programs.

The amount of capital committed to "alternative investment strategies" has increased dramatically during recent years. At the same time, market conditions have become significantly more adverse to many of such strategies than they were in previous years. The profit potential of Clients may be materially reduced as a result of the increased competition within the alternative investment field.

Devotion of Time. Folger Hill may perform management services for other Client accounts and may devote substantial time and resources to doing so. Certain members of the Board of Managers (as defined below) of the General Partner (other than Mr. Kumin), devote substantially all of their time to their roles with Leucadia.

Increasing Assets Managed by Folger Hill May Adversely Affect Performance. The rates of return achieved by investment advisers or managers often diminish as the equity under their management increases. Folger Hill has not agreed to limit the amount of capital that it will manage. In addition, Folger Hill is not limited from managing other vehicles or accounts with similar or different strategies.

No Formal Diversification Policies. Although Folger Hill anticipates that the vast majority of Clients' positions will be in equities and equity-related instruments (in US and Asian markets), Folger Hill is not restricted as to the percentage of the Fund's assets that may be invested in any particular country, asset class, issuer, instrument, market or strategy. The governing agreements of Client relationships (e.g. Investment Management Agreement, Sub-Advisory Agreement, etc.) do not impose any formal fixed requirements for diversifying Clients' portfolios among countries, asset classes, issuers, instruments, markets or strategies.

No Material Limitation on Strategies. While Clients' strategies are focused on equities in US and Asian markets, Folger Hill will opportunistically implement on behalf of Clients whatever strategies it believes from time to time may be best suited to prevailing market conditions and to Folger Hill's investment approach, expertise and personnel. Such strategies may involve higher levels of risk than the ones discussed herein. There can be no assurance that Folger Hill will be successful in applying any strategy on behalf of Clients.

Evolving and New Investment Strategies. Folger Hill's strategies are expected to evolve. Folger Hill is not restricted from using Clients' capital to develop or incubate new strategies or hire additional Portfolio Managers that utilize different strategies, even if Folger Hill has limited experience in the type of strategy or in the markets or instruments involved. The approaches and strategies developed by Folger Hill may not be successful and the resources devoted to the implementation of new approaches or strategies may diminish the effectiveness of Folger Hill's implementation of its established strategies.

Potential Inability to Trade, Report or Manage Risk Due to Systems Failure. Folger Hill's strategies will be dependent to a significant degree on the proper functioning of its internal and external computer, communication and information technology systems. Accordingly, systems failures, whether due to third-party failures upon which such systems are dependent or the failure of Folger Hill's hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade or manage risk (even for a short time), could, in certain market conditions, cause Clients to experience significant trading losses, to miss opportunities for profitable trading or to become exposed to particular risk exposures. Any such systems failures also could cause a temporary delay in reports to Investors and/or SMA account holders.

Execution of Orders. Folger Hill's investment strategies will depend on their abilities to establish and maintain an overall market position in a combination of financial instruments selected by Folger Hill. Clients' investment orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, systems failures or human error attributable to Clients' brokers, agents or other service providers. In such event, Clients might only be able to acquire some, but not all, of the components of such position, or if the overall position were to need adjustment, Clients might not be able to make such adjustment. As a result, Clients would not be able to achieve the market position selected by Folger Hill, and might incur a loss in liquidating its position.

Operating Expenses. Clients will be subject to significant operating expenses. Unlike most private investment funds and other clients that pay a management fee based on a fixed

percentage of assets under management, Clients will use an expense-based model (i.e., the PTE model) where Folger Hill passes through its Manager Expenses relating to the operation of Clients, to the Clients (and therefore, the Investors and SMA account holders). Such Manager Expenses may be substantial over time and, in particular, during the start-up phases of Client relationships, due to the substantial expenses attributable to Folger Hill and any other vehicle/manager (such as FHAM HK) utilized to manage Client assets. The timing of accruals or charges with respect to certain PTEs, including PM Bonuses, may affect SMA and Investors differently based on the timing of each SMA/Investors' investment in, or withdrawal from, the Fund/SMA. Accrued PTEs, including PM Bonuses, may reduce the amount of proceeds payable to an Investor and SMA upon their withdrawal from the Fund/SMA. Clients will also be responsible for all expenses incurred in connection with or otherwise related to its investment program, as well as all operating and organizational expenses of their investment program. Clients (including Investors) will bear their pro rata share of their operating and investing expenses. All Manager Expenses (including the PM Bonuses) and Fund Expenses must be offset by Clients' investment gains for Clients to be profitable. There is no limit on the amount of PTEs that may be charged to Clients.

PM Bonuses. In addition to a "Profit Allocation" that is allocated to the General Partner, Clients will reimburse Folger Hill for their allocable share of the PM Bonuses, which are variable and are expected to be substantial. The PM Bonuses will include bonuses payable to the Portfolio Managers on an individual performance basis, and may be payable despite the fact that Clients, as a whole, have not experienced gains during the same period.

Trade Errors. Clients will bear the cost of any clerical errors or mistakes of Folger Hill with respect to its placing or executing trades for Clients ("Trade Errors"), as such errors are considered by Folger Hill to be a cost of doing business. Pursuant to the exculpation of liability and indemnification provisions included in various Client documents, Folger Hill will only be obligated to reimburse Clients for any Trade Error resulting from Folger Hill's fraud, gross negligence or willful misconduct. Folger Hill, subject to its fiduciary obligations, will determine whether or not any loss resulting from a Trade Error is required to be reimbursed in accordance with such liability and exculpation provisions. If Folger Hill holds insufficient cash available to reimburse Clients for a Trade Error in an instance in which such reimbursement is required, such reimbursement may be charged against future allocations of the Profit Allocation. Any positive Trade Errors will be for the benefit of Clients.

Disruption of Business. Although Folger Hill maintains disaster recovery plans, there can be no assurance that interruptions caused by extraordinary events outside of the control of Folger Hill, including Acts of God (e.g., fire, flood, earthquake, storm, hurricane or other natural disaster), Acts of War (e.g., war, invasion, acts of foreign enemies, hostilities, insurrection, or terrorist activities, whether war is declared or not), financial system disruptions (e.g., bankruptcy filing or operational failure by a major financial institution, including a bank, broker-dealer, clearing agent, administrator, investment manager or securities or derivatives exchange), would not have an adverse effect on Clients.

Cybersecurity Breaches. Clients, like all businesses dependent on information technology systems, will be subject to risks associated with breaches in cybersecurity. Cybersecurity is a

generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from “hacking” by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data, as well as misappropriation of confidential information. If a cybersecurity breach occurs, Clients may incur substantial costs (on behalf of itself or Folger Hill), including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose Folger Hill and Clients to civil liability, as well as regulatory inquiry and/or action. Any such breach could also cause substantial withdrawals by Investors and/or SMA account holders. In addition, Investors and/or SMA account holders could be exposed to further losses as a result of unauthorized use of their personal information.

Market Risks

Market Risks in General. Folger Hills’ strategies will always be subject to some dimension of market risk, including, but not limited to directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, “flights to quality” and “credit squeezes.” Price movements are influenced by many unpredictable factors, such as market sentiment, momentum, inflation rates, interest rate movements and general economic and political conditions both inside and outside the markets where Clients will invest. Folger Hill’s style of alternative investing (including the use of relative value investing) may be no less speculative than traditional investing strategies. On the contrary, alternative investment strategies have from time to time incurred sudden and dramatic losses.

The particular or general types of market conditions in which Clients may incur losses or experience unexpected performance volatility cannot be predicted, and Clients may materially underperform other types of entities with substantially similar investment objectives and approaches.

Highly Volatile Markets. The prices of certain instruments, including but not limited to equity and equity-linked instruments and related derivatives, that will be traded by Clients have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. While volatility can create profit opportunities for Clients, it can also create the specific risk that historical or theoretical pricing relationships will be disrupted, and may cause what should otherwise be comparatively low risk positions to incur losses.

Availability of Investment Opportunities. There can be no assurance that the Portfolio Managers and/or other managers retained by Folger Hill will be able to find suitable opportunities consistent with their respective investment approaches. Market conditions may limit the availability of investment opportunities, reduce Clients’ deployment of capital and negatively impact Clients’ returns.

Market Disruptions; Governmental Intervention. The global financial markets have in the past few years gone through disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition—as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action—these interventions have often been unclear in scope and application, and have often resulted in confusion and uncertainty which in itself has been detrimental to some markets as well as previously successful investment strategies.

Clients may incur significant losses in the event of disrupted markets and other extraordinary events in which pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets positions may become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to Clients from banks, dealers and other counterparties may be reduced in disrupted markets, and such a reduction may result in substantial losses to Clients. Market disruptions may from time to time cause dramatic losses for Clients, and such events can result in investment strategies performing with unprecedented volatility and risk.

Additional Government or Market Regulation. Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental, as well as self-regulatory, scrutiny of the “hedge fund” industry and the financial services industry in general. Legislation proposing greater regulation of the industry is considered periodically by U.S. federal and state legislatures, as well as the governing bodies of non U.S. jurisdictions. In particular, the legal and tax systems of some Asian jurisdictions are less predictable than the legal and tax systems in many countries with more developed capital markets. It is impossible to predict what, if any, changes in the regulations applicable to Clients, Folger Hill, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. For example, currently, the tax rules and regulations prevailing in certain Asian regions are, as a general matter, either new or under varying stages of review and revision, and there is considerable uncertainty as to whether new laws will be enacted and, if enacted, the scope and content of such laws. Reliance on oral administrative guidance from regulators and procedural inefficiencies hinder legal remedies in many areas, including bankruptcy and the enforcement of creditors’ rights. Moreover, companies may experience delays in certain Asian regions when obtaining governmental licenses and approvals. Any such laws or regulations could have a material adverse impact on the profit potential of Clients, require increased transparency as to the identity of the Investors and/or SMA account holders and contribute to systemic risks to which Clients may be exposed.

Institutional and Counterparty Risk. Institutions, such as brokerage firms, banks and broker-dealers, generally have custody of the funds, securities or instruments constituting the Clients’ assets and may hold such assets in “street name.” Clients are subject to the risk that these firms and other brokers, counterparties or clearinghouses with which Clients deal may default on their obligations to Clients. Any default by any of such parties could result in

material losses to Clients. Bankruptcy, financial strain or fraud at one of these institutions could also impair the operational capabilities or the capital position of Clients.

Markets in which Folger Hill may effect derivative transactions (e.g., total return swaps) may include “over-the-counter” (“OTC”) or “interdealer” markets, and may also include unregulated private markets. Some participants in such markets are not subject to the same level of credit evaluation and regulatory oversight as are members of the exchange based markets. Certain of these markets are not as developed or efficient as others and may be more volatile. There is generally less government supervision and regulation of Asian exchanges, brokers and listed companies than in more developed markets. Clients will be exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the transaction (whether or not such dispute is bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer losses. Such counterparty risk is accentuated where Folger Hill has concentrated Clients’ transactions with a single or small group of counterparties.

The events of the financial crisis of 2008 surrounding bankruptcies or similar proceedings with respect to various parties have demonstrated the risk that assets which investors believed were custodial under statutory and regulatory protections, may not be clearly identified as being assets of Clients, causing Clients to be exposed to a credit risk with regard to such parties.

Folger Hill will not be restricted from dealing with any particular counterparty or from concentrating any or all of Clients’ transactions with one counterparty. The ability of Folger Hill to transact business with any one or number of counterparties, uncertainty regarding such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by Clients.

Risks Relating to Clients’ Investment Techniques

Decentralized Capital Management. Folger Hill employs a multi-portfolio manager strategy in which and each Portfolio Manager invests independently of the others. There can be no assurance that the use of a multi-portfolio manager model will not effectively result in losses by certain of the Portfolio Managers offsetting any profits achieved by others. Portfolio Managers may from time to time compete with others for the same positions. Moreover, opposite positions held by the Portfolio Managers will be economically offsetting. Portfolio Managers’ PM Bonuses are paid in respect of their individual performance in respect of Clients regardless of whether their returns are offset by other Portfolio Managers’ positions in respect of Clients. Folger Hill will implement certain risk limitations across Clients’ entire portfolios, which may prevent individual Portfolio Managers from fully expressing their investment thesis in their portfolios.

The success of the multi-portfolio manager model is highly dependent on the ability of Folger Hill to identify, recruit and retain talented Portfolio Managers. As a relatively new entrant in a competitive market, Folger Hill may not be successful in attracting and retaining Portfolio Managers. Identifying investment talent is inherently uncertain and a Portfolio Manager’s past performance in other environments will not necessarily be indicative of its future investment

success. In addition to identifying and recruiting investment talent, the multi-portfolio manager model is also dependent on the ability of Folger Hill to allocate capital among Portfolio Managers in a manner that will enhance returns and mitigate risks in light of anticipated market conditions. There can be no guarantee that Folger Hill will be successful in its allocation decisions among Portfolio Managers.

Importance of Individual Judgment. The individual judgment and discretion of the Portfolio Managers and other members of Folger Hill's personnel are fundamental to the implementation of its strategies and risk management methods. There can be no assurance that such individual judgment will be accurate, achieve profits or avoid losses.

Security Selection. Because Clients will invest primarily in publicly-traded equity securities, a significant risk of loss will be associated with securities selection. While Folger Hill will endeavor to minimize such risk through portfolio construction, maintenance of liquidity and position monitoring, there can be no guarantee that such measures will prevent losses. In addition, the hedged, long/short trading strategy implemented by Folger Hill may not effectively protect Clients from adverse market movements.

Leverage. Clients will generally trade and invest on a leveraged basis, through cash and synthetic borrowings and through any leverage that may be embedded in the derivative instruments that it may use in its portfolio. Losses incurred in respect of Clients' leveraged investments will be magnified in respect of the Clients' Net Asset Value in direct proportion to the degree of leverage employed. The use of leverage may result in the forced liquidation of positions (which may otherwise have been profitable) as a result of margin or collateral calls. Clients will also incur interest expenses on the borrowings used to leverage their positions. If gains earned by Clients' portfolios fail to cover such costs, the Net Asset Value may decrease faster than if there had been no borrowings. Clients' borrowing limitations are limited by provisions outlined in their governing documents.

Short Sales. Clients will sell securities short. A short sale is effected by selling a security which a Client does not own. In order to make delivery to the buyer of a security sold short, the Client must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Client must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Client. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by the Client. Furthermore, the Client may prematurely be forced to close out a short position if a counterparty from which the Client borrowed securities demands their return, resulting in a loss on what might otherwise have ultimately been a profitable position.

Various jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may negatively affect the ability of Clients to implement their strategies. It cannot be determined how future regulations may limit Clients' abilities to engage in short selling and how such limitations may impact investment performance.

Hedging Techniques. Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance or value of the hedging instrument and the value of Clients' instruments seeking to be hedged; (ii) losses resulting from spread or other market movements not anticipated by Folger Hill; (iii) the possible obligation to meet additional margin or other payment requirements, all of which could worsen Clients' positions; and (iv) default or refusal to perform on the part of the counterparty with which Clients trade.

Folger Hill may not, in general, attempt to hedge all market or other risks inherent in the Clients' positions, and hedges certain risks, if at all, only partially. Specifically, a Portfolio Manager or Folger Hill may choose not, or may determine that it is economically unattractive, to hedge certain risks — either in respect of particular positions, a particular Portfolio Manager's portfolio or in respect of Clients' overall portfolios. Clients' portfolio compositions will commonly result in various directional market risks remaining unhedged. Folger Hill may rely on diversification to control such risks to the extent that Folger Hill believes it is desirable to do so.

The ability of Folger Hill to hedge successfully will depend on the ability of Folger Hill to predict pertinent market movements, which cannot be assured. Folger Hill will not be required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations in the exchange rate between the currencies in which the Clients' securities are denominated and the U.S. Dollar because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Holding Period of Investment Positions. Folger Hill will typically not know the maximum—or, often, even the expected (as opposed to optimal)—duration of any particular position at the time of initiation (except in the case of certain options or derivatives positions, which have pre-established expiration dates). The length of time for which a position is maintained varies significantly, and will be based on Folger Hill's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses. Actual holding periods depend on numerous market factors, which can both expedite and disrupt price convergences. There can be no assurance that Clients will be able to maintain any particular position, or group of related positions, for the duration required to realize the expected gains, or avoid losses, from such positions.

Transaction Costs of Multi-Manager Strategy. The multi manager strategy employed by Folger Hill requires frequent trading, resulting in substantial brokerage commissions and other

transaction fees and expenses. The brokerage and commission expenses of Folger Hill clients generally will exceed those of many other private investment funds of comparable asset size, though Folger Hill believes that the brokerage and commission expenses are comparable to other private investment funds employing a similar multi manager strategy.

Relative Value Strategies. The success of Folger Hill's relative value investing will be dependent on Folger Hill's ability to exploit relative mispricings among interrelated instruments. Although relative value positions are considered to have a lower risk profile than directional investments as the former attempt to exploit price differentials rather than overall price movements, relative value strategies are by no means without risk. Mispricings, even if correctly identified, may not converge within the time frame within which Clients maintain their positions. Even "riskless" arbitrage—which is rare—can result in significant losses if the arbitrage cannot be sustained (due, for example, to margin calls) until expiration. Folger Hill's relative value strategies will be subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of its or third-party valuation models. Market disruptions may also force Clients to close out one or more positions. Such disruptions have in the past resulted in substantial losses for investors employing relative value strategies.

A major component of Folger Hill's relative value investing may involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss may occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably and, due to the leveraged nature of Clients' investment activities, result in increased losses.

In recent market conditions, the profitability of relative value investing has been materially reduced—in part due to the number of market participants seeking to exploit the same perceived mispricings and increasing correlations in the equities markets.

Directional Investments. Certain of the positions that may be taken by Clients are designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

Hybrid and Other Strategies. Many of the strategies which Folger Hill may employ combine elements of more than one of the foregoing general strategy types or may represent a completely different strategy type. Often, in the course of implementing a particular strategy an opportunistic investment representing a different investing approach will be made. For example, in seeking to identify a relatively mispriced pair of assets, Folger Hill may conclude that an asset is sufficiently overpriced or underpriced to merit taking an outright directional position.

Folger Hill's approach may combine a range of different investing techniques, both implementing different strategies in different markets and combining different strategies, in the same or related markets.

Reliance on Corporate Management and Financial Reporting. Folger Hill will rely on the financial information made available by the issuers in which the Fund invests. Folger Hill will have no ability to independently verify the financial information disseminated by the numerous issuers in which Clients may invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses that investors such as the Fund can incur as a result of corporate mismanagement, fraud and accounting irregularities. Equity prices are particularly vulnerable to corporate mismanagement.

Model Risk. Certain of the strategies and risk management techniques which Folger Hill may utilize will require the use of qualitative and quantitative valuation models that it will develop over time, as well as valuation models developed by third parties and made available to Folger Hill. As market dynamics shift over time (for example, due to changed market conditions), a previously highly successful model often becomes outdated or inaccurate, perhaps without Folger Hill recognizing that fact before substantial losses are incurred. There can be no assurance that Folger Hill will be successful in developing and maintaining effective qualitative and quantitative models which it may use, and the necessity of continuously updating these models demonstrates that any of Folger Hill's past successful results from such models may not be representative of Clients' future results.

All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting valuations will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative securities. When models and/or market data inputs prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose Clients to potential risks. For example, by relying on models and/or market data inputs, Folger Hill may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty models and/or market data inputs may prove to be unsuccessful.

Revised Regulatory Interpretations Could Make Certain Strategies Obsolete. In addition to proposed and actual regulatory and accounting changes, there have recently been certain well publicized incidents of regulators unexpectedly taking positions which prohibited strategies which had been implemented in a variety of formats for many years. In the current regulatory environment, it is impossible to predict if future regulatory developments might adversely affect Clients.

Third-Party Managers. Folger Hill may allocate a portion of Clients' portfolios to Third-Party Managers for investment management. Such allocations will be subject to certain risks, including fraud by any such Third-Party Manager. Through such allocations, Folger Hill is

generally dependent on the skill and abilities of such Third-Party Managers to successfully manage their respective allocations.

Allocations made to Third-Party Managers may be subject to substantial charges, including any asset and performance based fees, which, if earned, are payable by Clients irrespective of the overall profitability of Clients, resulting in an additional level of expenses and a greater level of expenses than would be associated with direct investing. In addition, the risks of allocating capital among different managers apply in respect of Third-Party Managers as well.

Securities Lending. Clients may lend securities from their portfolios to brokers, dealers and other financial institutions that need to borrow securities to complete certain transactions as a means of earning additional income. In these situations, Clients are typically entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords Clients an opportunity to earn interest on the amount of the loan and current income on the loaned securities themselves. However, Folger Hill does not vote proxies on securities that are loaned. In addition, Clients might experience losses if any institution with which Clients have engaged in a portfolio loan transaction breaches its agreement with Clients. If the borrower becomes insolvent or bankrupt, Clients could experience delays and costs in recovering loaned securities. To the extent that, in the meantime, the value of the loaned securities declines, Clients could experience further losses.

Risk of Litigation. In the ordinary course of business, Clients may be subject to litigation from time to time. In addition, Clients may accumulate substantial positions in the securities of issuers that become involved in proxy contests or other litigation. As a result of such investments, Clients could be named as defendants in a lawsuit or regulatory action. The outcomes of such proceedings, which may materially adversely affect the value of Clients, are impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of Folger Hill's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation. In addition, if Folger Hill is subject to the litigation, Clients may be subject to additional costs and expenses relating to such litigation.

Risks Relating to the Assets Traded

Equities. Clients' equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which Clients may invest. Relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Equity prices are directly affected by issuer specific events, as well as general market conditions. In addition, in many countries investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments. Changes in the structure of the equity markets or new market participants may materially impede Folger Hill's investment strategies.

Options. Trading options is highly speculative and may entail risks that are greater than investing in other securities. Prices of options are generally more volatile than prices of other securities. In trading options, Folger Hill speculates on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying such option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that Folger Hill causes Clients to purchase options that they do not sell or exercise, Clients will suffer the loss of the premium paid in such purchases. To the extent Folger Hill causes Clients to sell uncovered options and must deliver the underlying securities at the option price, Clients have a theoretically unlimited risk of loss if the price of such underlying securities increases. If Clients must buy those underlying securities, Clients risk the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the obligor on an option may be greater and the ease with which Clients can dispose of such an option may be less than in the case of an exchange traded option.

Folger Hill may cause Clients to buy or sell OTC options—options that are not traded on a securities exchange and are not issued or cleared by an internationally recognized clearing corporation. The risk of nonperformance by the obligor on such an option may be greater, and the ease with which Clients can dispose of such an option may be less, than in the case of an exchange traded option issued by an internationally recognized clearing corporation.

Stock Index Options. Clients may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in Clients' portfolios correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether Clients realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by Clients of options on stock indices will be subject to Folger Hill's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments.

Exchange Traded Funds. Clients may invest in exchange traded funds ("ETFs") from time to time. ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover,

although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including the expenses associated with ETFs and a number of other factors.

Futures/Commodities. Trading commodities and commodity interests (e.g., futures contracts on commodities, securities indices or currencies) is highly speculative and may entail risks that are greater than the risks associated with investing in securities. Prices of commodity interests are generally more volatile than prices of securities. Futures trading will have effects on Clients' portfolios similar to the effects of leverage. Clients may be exposed to market price fluctuations of securities or commodity interests underlying futures (or options on futures), while investing only a small percentage of the value of those underlying securities or commodity interests. Folger Hill may open futures positions for Clients by placing with a futures commission merchant initial margins that are small relative to the value of the futures contracts, making the transaction "leveraged." If the market moves against Clients' positions or margin levels are increased, Clients may be called upon to pay substantial additional funds on short notice to maintain the positions. If Clients were to fail to make such payments, their positions could be liquidated at a loss, and Clients would be liable for any resulting deficits in their accounts.

Futures positions may be illiquid because, among other things, most commodity exchanges limit fluctuations in certain futures contract prices during a single day. Once the price of a contract for a particular future has increased or decreased by an amount equal to the "daily limit," positions can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Such an occurrence could prevent Clients from liquidating unfavorable positions and subject them to substantial losses. In addition, Clients may not be able to effect futures contract trades at favorable prices if trading volume in those contracts is low.

As Clients trade futures on exchanges in non-U.S. markets, the risks of these activities may be greater than trading in futures on U.S. exchanges. For example, non-U.S. futures are not cleared on and are not subject to the rules of a U.S. board of trade. Neither the CFTC nor the National Futures Association regulates activities of any non-U.S. board of trade, including execution, delivery and clearing of transactions, nor do they have any enforcement authority over non-U.S. boards of trade. In addition, funds provided as margin for non-U.S. futures and options may not be provided the same protections as funds received in respect of U.S. transactions.

Derivatives in General. Clients may make use of various derivative instruments, such as convertible securities, options, futures, forwards and swaps (including total return and equity swaps, swaptions and credit default swaps employed for purposes of buying protection on a particular issuer). The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations.

Clients may also use swaps to implement their equities strategies synthetically. Clients' use of swaps are subject to the following risks: (i) credit risks (the exposure to the possibility of loss resulting from the counterparty's failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset or commodity); (iii) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (iv) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

European Market Infrastructure Regulation. On August 16, 2012, the European Market Infrastructure Regulation (EU No. 648/2012) entered into force ("EMIR"). EMIR introduces certain requirements in respect of derivative contracts, which will apply primarily to "financial counterparties" ("FCs") such as European Union ("EU") authorized investment firms, credit institutions, insurance companies, UCITS and alternative investment funds managed by EU authorized alternative investment fund managers, and "non-financial counterparties" ("NFCs") which are entities established in the EU that are not financial counterparties. NFCs whose transactions in OTC derivative contracts exceed EMIR's prescribed clearing threshold ("NFC+s") are generally subject to more stringent requirements under EMIR than NFCs whose transactions in OTC derivative contracts do not exceed such clearing threshold (including because such contracts are excluded from the threshold calculation on the basis that they are concluded in order to reduce risks directly relating to the NFC's commercial activity or treasury financing activity) ("NFC-s").

Broadly, EMIR's requirements in respect of derivative contracts are (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts; and (iii) reporting and record-keeping requirements in respect of all derivative contracts.

EMIR imposes certain obligations on non-EU counterparties, such as the Clients, to the extent that those non-EU counterparties would be classified as an FC or an NFC+ if they had been

established in the EU. These obligations are (i) to clear specified OTC derivative contracts through a duly authorized central counterparty when transacting with FCs or NFC+s or (in limited circumstances) when transacting with other non-EU counterparties; and (ii) (in limited circumstances) to comply with certain operational and counterparty risk mitigation procedures with respect to uncleared OTC derivative contracts when transacting with other non-EU counterparties.

As FCs and NFCs are required to comply with EMIR's risk mitigation obligations regardless of the identity of their counterparties, non-EU counterparties, such as the Fund, are likely to become indirectly subject to such requirements when they transact with EU counterparties, which will require compliance by their non-EU counterparties in order to satisfy their own obligations under EMIR.

Certain risk mitigation obligations under EMIR (such as the obligation to reconcile portfolios and confirm transactions in a timely fashion) have already been implemented through secondary measures, while others, such as the requirement to exchange collateral, are still being finalized.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by a new Directive and Regulation containing a package of reforms to the existing Markets in Financial Instruments Directive (Directive 2004/39/EC), collectively referred to as ("MiFID II"). EU authorities are still in the process of drafting the various "Level 2" measures required to implement MiFID II, and as such certain aspects of the MiFID II regime have not yet been finalized. The majority of MiFID II's provisions will become effective on January 3, 2017. In particular, MiFID II is expected to require transactions between FCs and NFC+s in sufficiently liquid OTC derivatives to be executed on a trading venue which meets the requirements of the MiFID II regime.

It is difficult to predict the full impact of these regulatory developments on Clients. Prospective investors and SMA account holders should be aware that the regulatory changes arising from EMIR and MiFID II may in due course significantly raise the costs of entering into derivative contracts and may adversely affect Clients' abilities to engage in transactions in derivatives.

Forward Contracts. Clients may trade deliverable forward contracts in the inter-bank currency market. Such deliverable forward contracts are not currently traded on exchanges; rather, banks and dealers act as principals in these markets. Changes in the forward markets entail increased costs and result in burdensome reporting requirements. There is currently no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which Folger Hill would otherwise recommend, to the possible detriment of Clients.

Fixed-Income Investments. The value of the fixed-income securities in which Clients may invest will change both as general market conditions change and as the general levels of

interest rates fluctuate. When interest rates decline, the value of fixed-income securities is generally expected to rise. Conversely, when interest rates rise, the value of such securities is generally expected to decline. Investments in lower rated or unrated fixed-income securities in which Clients may invest, while generally providing greater opportunity for gain and income than investments in higher rated securities, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such securities).

Risks of debt securities that may be targeted by Clients may include (among others): (i) market place volatility resulting from changes in prevailing interest rates, (ii) the absence, in many instances, of collateral security, (iii) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the Fund to reinvest premature withdrawal proceeds in lower-yielding debt obligations and (iv) the declining creditworthiness and the greater potential for insolvency of the issuer of such investment debt securities during periods of rising credit spreads and/or interest rates and/or economic downturn.

Event Driven Investing. Clients may make investments in issuers involved in, or the target of acquisition attempts or tender offers or issuers involved in work-outs, liquidations, spin-offs, reorganizations, asset sales, changes in control, distributions, bankruptcies and similar transactions. Clients may make certain investments in anticipation of such events. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to Clients of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, Clients may be required to sell the investment at a loss.

Distressed Securities. Clients may invest in distressed securities. Distressed investment strategies generally involve investing in the securities and other assets of issuers in weak financial condition (perhaps having a negative net worth), experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems, or involved in various stages of bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled issuers is the fact that it is frequently difficult to obtain reliable information as to their true financial prospects. The market prices of distressed securities are subject to abrupt and erratic market movements and excessive price volatility, and the “bid-ask” spreads for such securities may be greater than normally expected.

Risks of Investment in Small Capitalization and Mid-Capitalization Issuers. The pursuit of Clients’ investment strategies may result in a portion of Clients’ assets being invested in financial instruments of small-cap and mid-cap issuers. Financial instruments of small and mid-cap issuers pose certain distinctive risks. Some small and mid-cap issuers have limited product lines, markets or financial resources. They may be subject to high volatility in revenues, expenses and earnings. They may be dependent for management on one or a few key persons, and can be more susceptible to losses and risks of bankruptcy. Their financial

instruments may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in financial instruments of larger-cap issuers. In addition, small and mid-cap issuers may not be well-known to the investment public and may have only limited institutional ownership. The market prices of financial instruments of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in financial instruments of small and mid-cap issuers may be higher than in those of large-cap issuers.

Currency Exchange Exposure and Currency Hedging. Because Clients will invest in non-U.S. securities that are denominated or quoted in non-U.S. currencies, whereas the functional currency of Clients is denominated in U.S. dollars, performance may be significantly affected, either positively or negatively, by fluctuations in the relative currency exchange rates and by exchange control regulations. To the extent Clients seek to hedge its currency exposure, it may not always be practicable to do so. Moreover, hedging may not alleviate all currency risks. Furthermore, Clients may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to Clients at one rate, while offering a lesser rate of exchange should Clients desire immediately to resell that currency to the dealer. Clients will conduct their currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into a number of different types of hedging transactions including, without limitation, forward, futures or commodity options contracts to purchase or sell currencies, and entering into foreign currency borrowings.

To the extent Clients enter into currency forward contracts (agreements to exchange one currency for another at a future date), these contracts involve a risk of loss if Clients fail to predict accurately the direction of currency exchange rates. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to Clients for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

There can be no guarantee that instruments suitable for hedging currency shifts will be available at the time Folger Hill wishes to use them or will be able to be liquidated when Folger Hill wishes to do so. In addition, Folger Hill may choose not to enter into hedging transactions with respect to some or all of its positions that are exposed to currency exchange risk.

International Investing. Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, non-U.S. companies are generally not subject to uniform

accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

Non-U.S. markets may also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when Clients' assets are uninvested and no return is earned thereon. The inability of Clients to make intended security purchases due to settlement problems or the risk of intermediary counterparty failures could cause Clients to miss investment opportunities. The inability to dispose of a security due to settlement problems could result either in losses to Clients due to subsequent declines in the value of such structured credit security or, if Clients have entered into a contract to sell the security, could result in possible liability to the purchaser. Transaction costs of buying and selling non-U.S. securities, including brokerage, tax and custody costs, also are generally higher than those involved in domestic transactions. Furthermore, some non-U.S. financial markets have substantially less volume than U.S. markets, and securities of many non-U.S. companies are less liquid and their prices more volatile than securities of comparable domestic companies.

The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

Emerging Market Currencies and Securities Involve Substantial Risks. Clients may invest a portion of their assets in the securities (or instruments thereto) of less developed countries or countries with new or developing capital markets ("Emerging Markets"), as well as trade the currencies of such countries for hedging purposes. The value of Emerging Market currencies and securities may be drastically affected by political developments in the country of issuance. In addition, the existing governments in the relevant countries could take actions that could have a negative impact on Clients, including nationalization, expropriation, imposition of confiscatory taxation or regulation or imposition of withholding taxes on interest payments.

Some of the countries in which Clients may invest have experienced, are experiencing or will experience political, economic and/or social instability. Many such countries have also experienced dramatic swings in the value of their national currency. There can be no assurance that such instability or such fluctuations will not occur in the future and, if they do occur, that they will not have a substantial adverse effect on the performance of Clients.

The economies of many of the Emerging Market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. Also, many Emerging Market country economies have a high dependence on a small group of markets or even a single market.

Emerging Market countries tend to have periods of high inflation and high interest rates as well as substantial volatility in interest rates, which could affect any Clients' investments in them adversely.

The currencies and securities purchased by, and the instruments relating thereto entered into by, Clients may lack a liquid trading market, which may result in the inability of Clients to sell such security or currency or to close out a transaction, thereby forcing Clients to incur potentially unlimited losses.

Foreign investment in the Emerging Market countries is in some cases restricted. Many of these countries have non-convertible currencies and the value of investments may be affected by fluctuation in available currency rates and exchange control regulations. The remittance of profits may therefore be restricted, and Clients may need to utilize swaps, participation agreements, loans, and other indirect investment techniques to access markets and remit profits. Moreover, the banking systems in these countries are not as developed as their developed counterparts and considerable delays may occur in the transfer of funds within, and the remittance of monies out of, these countries.

In certain cases, the structures which Clients employ to make trades in Emerging Market currencies and securities may be complex, entail significant counterparty exposure and/or not clearly comply with local law. Clients may invest in Emerging Markets currencies and securities through various swaps and derivatives.

Certain Emerging Markets countries are particularly likely to require identifying information about entities and persons who have direct, or even indirect, exposure to the securities of issuers in those countries. This may result in Clients being asked to provide information about Investors and SMA account holders to Emerging Markets regulators or to the brokers who are providing services to Clients in connection with investing activities. Such information may include, but may not be limited to, the identities, addresses and countries of origin of Investors and SMA account holders.

Syndicate PMU. FHAM US maintains a portfolio management unit ("PMU") dedicated to IPO and secondary market trading ("syndicate PMU") that engages in IPOs and secondary issuances in US and non-US markets. Trading by the syndicate PMU is generally short term in nature, often does not rely on the same investment research and diligence as other PMUs, and may be perceived as more speculative relative to other more fundamental research driven PMUs.

Additional Risks Associated with Investing in a Private Fund

Prospective Investors in the Feeder Funds are advised to review the PPM, IMA and other offering documents for a more extensive description of additional risks of investing in private funds.

Disciplinary Information

Folger Hill and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an Investor's or SMA account holder's evaluation of Folger Hill or its personnel.

Other Financial Industry Activities and Affiliations

As noted in the *Advisory Business* section above, the general partner of the Domestic Feeder and Master Fund is Folger Hill GP LLC, which is a related entity of FHAM US and FHAM HK. Additionally, Leucadia is a significant Fund investor, SMA account holder and owner in Folger Hill. Refer to the *Conflicts of Interests* section below for more information about Leucadia and its activities with respect to Folger Hill as well as Folger Hill's investment in Third-Party Managers. The Funds themselves may be considered related entities of Folger Hill.

Finally, Folger Hill Asset Management LLC ("FH GP"), the general partner of FHAM US, established FHAM HK, a company incorporated in Hong Kong with limited liability and licensed with the Hong Kong Securities and Futures Commission ("HK SFC") to conduct Type 9 (Asset Management) regulated activities. FHAM HK employs multiple portfolio managers who primarily invest in the Asian markets. As noted above, FHAM US has engaged FHAM HK as a sub-adviser with respect to the SMAs as well as a portion of the capital of the Master Fund.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Folger Hill recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its Clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of Clients come first; and (iii) it has a fiduciary duty to its Clients to act for their benefit. All Folger Hill personnel must put the interests of Clients before their own personal interests and must act honestly and fairly in all respects in dealings with Clients. All Folger Hill personnel must also comply with all federal securities laws.

Folger Hill has adopted a Code of Ethics governing personal trading by its personnel. Among other requirements, Folger Hill prohibits the purchasing of single issue equity or debt in employees' personal trading account, requires that all personnel obtain pre-approval for certain personal trades such as transactions in private placements, and sales of legacy positions in equity, debt and similar securities, requires the submission of statements reflecting all trading and holdings information to facilitate the oversight and review of personal trading activities, and requires employees to act as "whistleblowers" when it is believed that a violation of the Code of Ethics has occurred. The Code of Ethics additionally requires the HKAM US Chief Compliance Officer or her designee to regularly review all personal trading documents and to address any issues noted during the review, including the appropriateness of imposing a penalty for violations of the Code of Ethics. The Code of Ethics is available upon request by contacting Folger Hill at the address or telephone number listed on the first page of this document.

Eligible Folger Hill personnel may hold, either directly or through the General Partner, financial interests in the Feeder Funds. Additionally, it is possible that Folger Hill personnel may maintain investments in some of the same investments that are held by Clients, or that they may own investments that are subsequently purchased for Clients. As noted above, Folger Hill does not permit the purchase of such investments, but employees may have acquired the investments prior to their employment at Folger Hill. In any event, any sales of such investments must be pre-approved by the HKAM US Chief Compliance Officer in order to prevent a potential conflict with similar trades contemplated for Clients.

Brokerage Practices

Investment Discretion

Folger Hill buys and sells securities and other instruments for Clients on a discretionary basis in a manner consistent with stated investment objectives and restrictions, as set forth in the IMAs and/or PPM.

Folger Hill is authorized to make the following determinations among other things, in accordance with the Clients' investment objectives and restrictions without obtaining prior consent from any Investor or SMA account holder: (1) which securities or instruments to buy or sell; (2) total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

Soft Dollars

FHAM US will be specifically authorized to and expects to direct brokerage to broker/dealers which furnish or pay for research and services ("Soft Dollar Brokers") within the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"), as amended. The commission sharing arrangements permit FHAM US to consolidate payments for research and services using accumulated commissions from securities transactions ("Soft Dollar Credits") executed through the Soft Dollar Brokers sponsoring the commission sharing/pooling programs. The research and service providers may be compensated directly by the Soft Dollar Brokers sponsoring the commission pooling arrangements from the Soft Dollar Credits.

The commission sharing/pooling arrangements and other forms of soft dollar programs represent potential conflicts of interest since the Soft Dollar Credits are used to obtain products/services that FHAM US may otherwise have to obtain with its own funds or decide to do so through the expense-based pass-through model noted in the *Fees and Compensation* section above and explicitly disclose such expenses to Investors. Therefore, the continued provision of such services with Soft Dollar Credits is conditioned upon FHAM US executing a particular level of transactions through the Soft Dollar Brokers. Notwithstanding the foregoing, FHAM US will not be required to allocate either a stated dollar or stated percentage of its brokerage business to any Soft Dollar Broker (or any other broker/dealer) for any minimum time period, and it will make good faith determinations as to the value of the research and services obtained through the commission sharing/pooling programs.

FHAM HK may similarly receive from brokers, or pay for research, research-related services, and other services, in a manner consistent with HK SFC guidelines. Many of the FHAM HK's trading activities will be conducted through the use of total return swaps and contracts for differences in the non-U.S. markets in which it trades. FHAM HK may enter into soft dollar arrangements under which the dealers' compensation from such transactions is used to generate soft dollar credits on FHAM HK's behalf. These arrangements are not technically within the safe harbor established by Section 28(e) of the Exchange Act, which is generally only available with respect to transactions where a cash-based brokerage commission is paid or certain riskless principal transactions. However, (a) the generation of soft dollar credits through swap transactions is permitted according to the guidelines of the HK SFC, which has regulatory authority over FHAM HK; and (b) the research and brokerage services for which FHAM HK utilizes soft dollar credits generated by its swaps activities would be within Section 28(e) of the Exchange Act but for the exclusion of swap related brokerage commissions from the Section 28(e) safe harbor.

a. Research Products and Services

The research products/services and brokerage received by FHAM US from the Soft Dollar Brokers, either directly or through third-party arrangements between the Soft Dollar Brokers and the third party service provider include, among others, information services on the economy, industries, groups of securities and individual companies, direct connectivity to trading partners via FIX connections, databases, quotation systems, performance measurement reports, bond/stock pricing information, periodicals and exchange fees paid for live market data.

b. Mixed Use Products and Services

FHAM US receives some services that may be used for both research and other, non-research purposes (i.e. "mixed-use products/services"). FHAM US assumes that the non-research portion of the mixed-use products/services are for its own benefit rather than the benefit of the Funds and therefore makes a good faith effort to determine the relative proportion of such mixed-use products/services related to both research and non-research purposes. The portion of the mixed-use products/services that are deemed to be non-research will be paid directly by FHAM US, while the remaining research portion shall be paid for using soft dollars.

Trade Errors

Folger Hill has established trade processes and procedures designed to reduce the likelihood of errors and, in its sole discretion, will determine what constitutes a trade error.

Clients will bear the cost of any clerical errors or mistakes of Folger Hill with respect to its placing or executing trades. Pursuant to the exculpation of liability and indemnification provisions of the applicable agreements between and among Folger Hill and Clients, Folger Hill will only be obligated to reimburse Clients for any trade error resulting from Folger Hill's fraud, gross negligence or willful misconduct. Folger Hill, subject to its fiduciary obligations, will determine whether or not any loss resulting from a trade error is required to be reimbursed in accordance with such liability and exculpation provisions. If Folger Hill holds insufficient cash available to reimburse Clients for a trade error in an instance in which such reimbursement

is required, such reimbursement may be charged against future allocations of the Profit Allocation. Any trade error that yields a gain will be for the benefit of Clients.

Best Execution

Folger Hill seeks to obtain the best execution in making its decisions regarding brokerage commissions in securities transactions for Clients, taking into account the following factors (this is not an exhaustive list): the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality of, and the broker's expertise in particular markets; the comprehensiveness and frequency of available research services from the broker considered to be of value to Folger Hill; the degree of anonymity in which transactions are completed; and the competitiveness of commission rates in comparison with other brokers satisfying Folger Hill's other selection criteria.

Although Folger Hill generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. For example, Folger Hill may execute over-the-counter securities transactions on an agency basis, which may result in the incurrence of two transaction costs for a single trade: a commission paid to the executing broker-dealer in addition to the market maker's mark-up or mark-down.

Investors and/or SMA account holders may include individuals employed by or that own broker/dealers through which Folger Hill transacts, and Folger Hill transacts with a counterparty and prime broker (UBS) who employs a sibling of Mr. Kumin in a client relationship capacity. Parties that may also provide research services to Folger Hill or their affiliates may make investments in the Fund. Such investments may influence Folger Hill's selection of service providers. While potential conflicts of interests may exist given the relationships, Folger Hill does not allocate brokerage transactions based on such relationships. Instead, Folger Hill allocates brokerage transactions pursuant to its fiduciary duty to Clients, seeking to obtain best execution on transactions.

A potential conflict of interest may also exist in that certain brokers that execute transactions for Clients also provide prime brokerage services, including capital introduction, for the Funds. Additionally, subject to its obligations to seek best execution, Folger Hill may retain Jefferies or an affiliate to act as an executing broker or as the "Introducing Broker" for Clients. Folger Hill's decision to select and pay fees to its affiliates could present potential conflicts of interest that will be evaluated by its management.

Folger Hill may select, or maintain accounts with, brokers, including prime brokers, whose affiliates engage in a variety of other business relationships with Folger Hill. For example, Folger Hill is authorized to direct commissions and pay fees to certain brokers who may direct or refer investment opportunities or introduce prospective investors to the Fund and/or prospective SMAs to Folger Hill. Such brokers or their affiliates include the Fund as investment selections in their affiliated private wealth or asset management platforms or offer various other products (such as an SMA) designed to provide exposure to Folger Hill's

strategies. Such relationships may result in Folger Hill receiving substantial compensation and could create conflicts of interest in determining which brokers to select and with which to maintain relationships.

Allocation of Profits and Losses from New Issues

Profits and losses from transactions in new issues (such as initial public offerings) will typically be allocated pro-rata among all eligible Investors based on net asset values. Exceptions to such allocation may be made at the discretion of FHAM US for reasons including, but not limited to, prohibitions of law restricting allocations to certain Investors. FHAM US allocates the profits and losses from new issues only to the Investors in the Feeder Funds who may, pursuant to FINRA Rules 5130 and 5131, participate in such allocations.

Allocation of Investment Opportunities

The same investment decision may be made for more than one Client account managed by Folger Hill. In such circumstances, in the event that purchase and sell orders of the same class of security are occurring at the same time for multiple Clients, the orders may be combined for the purpose of seeking best execution for each participating Client. An order that is partially filled, will, as a general matter, be allocated pro-rata in proportion to each participating Client's original order or account size. Notwithstanding, additional factors such as, but not limited to, investment restrictions, regulatory limitations, portfolio liquidity requirements, and capital availability may cause deviations from Folger Hill's general trade allocation methodology described above, and those factors will be reviewed over time.

Allocation of Asian-Pacific Region Capital Markets Transactions

FHAM US, in agreement with FHAM HK and the SMAs, has implemented an investment allocation methodology with respect to potential capital markets investments in the Asia-Pacific Region that prioritizes the allocation of IPOs and secondary offerings listed on Asia Pacific exchanges to the APAC Business. The Funds, including the Master Fund, will only participate in such allocations through the portion of Funds' capital that is directly managed by FHAM HK.

Review of Accounts

Mr. Todd Rapp, in his capacity as FHAM US's Chief Risk Officer, on a daily basis reviews the Master Fund with regard to positions held, risk exposures such as concentrations and leverage, overall adherence to enterprise-level risk controls, and conformity with stated investment objectives and strategies. Mr. Kumin, Folger Hill's Chief Executive Officer, also participates in such reviews from time to time. Folger Hill's Portfolio Managers are allocated portfolio management responsibilities in respect of portions of the Master Fund and review their holdings on a daily basis. Other FHAM US professionals, including without limitation the Head Trader and Chief Financial Officer, as well as third-party service providers to the Master Fund, including without limitation the Administrator and the prime brokers, Morgan Stanley & Co., UBS, and Goldman Sachs & Co., review trading activity and the Master Fund's holdings on a regular basis.

Folger Hill generally provides or makes available to Investors upon request:

- Semi-monthly unaudited performance estimates;

- Monthly portfolio risk reports;
- Quarterly investor letter;
- Quarterly disclosure of pass through expenses;
- Annual audited financial statements; and
- Portfolio information is provided by third party risk aggregators for summary level risk reporting to certain Investors.

Additionally, Investor communications will include periodic calls with FHAM US's Investor Relations Team.

Specific to the SMAs, FHAM US maintains oversight responsibilities over the sub-advisory activities completed by FHAM HK. Consistent with such responsibilities, FHAM HK employees maintain dual reporting into their respective FHAM HK senior manager as well as their respective FHAM US counterparts. Additional oversight includes, without limitation, the sharing of risk management personnel, systems and processes. Finally, the FH GP oversees both FHAM US and FHAM HK through its Board of Managers, which is the governing body that approves significant/major decisions applicable to each of FHAM US and FHAM HK.

Client Referrals and Other Compensation

At various times and subject to applicable regulatory requirements, FHAM US has entered into agreements with and may pay solicitors/placement agents/finders ("placement agents") who refer potential Investors. FHAM US will benefit when Investors are referred because the Profit Allocation described in the *Performance Based Fees* section above is generally based upon a percentage of net profits on Fund assets. Accordingly, the more Fund assets FHAM US has under management, the higher the Profit Allocation will be to the extent applicable based on the Funds' performance. Similarly, an increased base of Investors is anticipated to benefit all Investors since the expenses associated with the pass-through expense model noted in the *Fees and Compensation* section above will be spread among a larger Investor base.

The compensation paid to placement agents (which may include but are not limited to, Folger Hill's affiliates such as Jefferies) will be allocated to the particular Investor introduced to a Fund by the placement agent. Placement agents used by FHAM US may also be broker-dealers, or affiliates of broker-dealers, through which Folger Hill transacts Fund trades, although such trading remains subject to the policies and procedures described above in the *Brokerage Practices* section.

Folger Hill effects securities transactions through a number of broker-dealers. By virtue of its conducting business with broker-dealers, Folger Hill may receive certain economic benefits from such broker-dealers which would not be received if it did not transact through the broker-dealers. These benefits may include, but are not limited to: access to an electronic communication network for order entry and account information; receipt of proprietary research; and participation in broker-dealer sponsored research and capital introduction conferences. Folger Hill understands that the benefits received through its relationship with the broker-dealers (including its prime brokers) generally do not depend upon the amount of transactions directed to, or amount of assets custodied by, the broker-dealers.

Custody

With the exception of any investments in “privately offered securities”, per Rule 206(4)-2 under the Advisers Act (i.e., the custody rule), all Fund assets are held in custody by unaffiliated broker/dealers or banks acting in the capacity as “qualified custodians”.

Notwithstanding the foregoing, Folger Hill GP LLC’s role as general partner to the Domestic Feeder and the Master Fund enables FHAM US personnel to access Fund assets, and FHAM US has developed procedures that ensure the safeguarding and protection of the assets. Such procedures include among other things, the separation of functions and dual signatory approvals for the distribution of Fund capital.

The Funds are subject to an annual audit and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles, are intended to be issued with an unqualified opinion, and distributed to Investors within 120 days of the Funds’ fiscal year ends.

Folger Hill does not maintain custody of SMA assets.

Investment Discretion

FHAM US buys and sells securities and other instruments for the Master Fund on a discretionary basis in a manner consistent with the Funds’ investment objectives and restrictions, as set forth in the Funds’ governing agreements and the PPM. FHAM HK maintains similar discretion with a portion of the Master Fund’s assets as allocated to it by FHAM US.

FHAM is authorized to make the following determinations among other things, in accordance with the Funds’ investment objectives and restrictions without obtaining prior consent from any Investor: (1) which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

As noted above, FHAM US serves as investment manager for the SMAs and has delegated the on-going daily investment discretion over management of SMA assets to FHAM HK subject to the investment restrictions set forth in the IMAs. FHAM US has implemented numerous oversight processes as noted in the *Review of Accounts* section above.

Voting Client Securities

In recognition of its responsibility with respect to the voting of proxies, Folger Hill has retained a third-party to assist in the proxy voting process and oversees the activities of the third-party. Additionally, Folger Hill has developed a Proxy Voting policy and procedures that focus on voting proxies in the interest of maximizing shareholder value. Folger Hill has worked with the third-party to develop proxy voting guidelines that will be utilized to vote proxies; however, at times Folger Hill may determine to vote proxies in a manner inconsistent with the guidelines and in doing so will maintain documentation regarding its voting decision. The proxy voting service will maintain a record of all proxy votes cast on behalf of the Funds.

With respect to class actions, it is generally Folger Hill's policy to participate in any recoveries related to the class actions and to file the Proof of Claim forms accordingly on behalf of Clients. Folger Hill utilizes a third-party to assist with identifying potential class action recoveries and to process the claims. The third-party is compensated based on a percentage of the proceeds recovered from a class action filing. It should be noted that Clients indirectly bear the cost (i.e. receive a reduced amount of the class action proceeds) of the third-party used for class action recovery services. In the case of the Funds, Folger Hill credits any class action settlements received to current Investors in the Feeder Funds.

A copy of the Proxy Voting policy and the proxy voting record relating to Clients may be obtained by contacting Folger Hill at the address or telephone number listed on the first page of this document.

Financial Information

Folger Hill has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.

Conflicts of Interest

Folger Hill has identified the following inherent and potential conflicts of interest that exist with respect to its management of Client accounts.

General Conflicts

The General Partner has an apparent conflict of interest between its fiduciary duty to the Funds and its selection of its affiliate, FHAM US, as the Funds' investment manager. Prospective investors must recognize that the Funds were formed specifically as investment products to be managed by FHAM US, and that the General Partner will not appoint any other investment adviser (other than in respect of any limited allocation of the Funds' portfolio to Third-Party Managers) for the Funds even if doing so might be in the Funds' best interests. This similar conflict exists with respect to FHAM US's selection of FHAM HK to sub-advise a portion of the Funds.

In addition to managing Client portfolios, Folger Hill may organize or become involved in other business ventures in the future. Clients will not share in the risks or rewards of Folger Hill, as applicable, in such other ventures. However, such other ventures will compete for Folger Hill's time and attention, which might create other conflicts of interest. The Clients' Partnership Agreements and IMAs do not require Folger Hill to devote any particular amount of time to the Clients. In general, the documents provide Folger Hill with broad discretion to determine or resolve of a wide variety of matters, including economic and tax allocations, withdrawals, distributions and other issues, any of which could significantly affect a particular Investor or group of Investors and/or SMA account holders.

Diversity of Fund Investors

Because Investors may include persons or entities organized in different jurisdictions that may have conflicting investment, tax and other interests with respect to their investment in the Feeder Funds, there may be conflicting interests between Investors relating to the nature of the

investments made by the Funds, the structuring of the Master Fund's investments, the purchase by the Master Fund of assets, the timing of investment dispositions and similar matters. Different returns may be realized by different Investors. As a consequence, decisions made by the General Partner (e.g., with respect to taxes and tax planning) may be more beneficial for one Investor than for another Investor. In selecting and making investments, FHAM US considers the investment objectives of the Funds as a whole, not the investment objectives of any Investor individually. While FHAM US is responsible for protecting and considering the interests of the Investors, it will consider the interests of the Investors as a whole and not any one particular Investor.

Information Asymmetry

The employees of Folger Hill, Leucadia and their affiliates each may have access to information that is not generally available to other Investors and SMA account holders and, as a result, may be able to act on such additional information (*i.e.*, request withdrawals) that other Investors and SMA account holders do not receive.

Participation in Third-Party Managers

FHAM US may seek to enter into arrangements for economic participation in the businesses of Third-Party Managers through equity stakes or revenue sharing arrangements (a "Participation Arrangement"). Such Participation Arrangements may create a conflict of interest for FHAM US in allocating a portion of Clients' capital to such Third-Party Managers. While no Participation Arrangement will apply to a Third-Party Manager's fees in respect of any Clients' capital allocated to such Third-Party Manager, FHAM US may have an incentive to allocate capital to such Third-Party Manager to assist in establishing the Third-Party Manager's business.

If FHAM US elects to enter into a Participation Arrangement, it will offer Investors the opportunity to elect to participate on a *pro rata* basis in such Participation Arrangement, based on their interests in the Funds. SMA's may be afforded a similar opportunity. FHAM US intends to facilitate such participation by using its commercially reasonable efforts to establish one or more alternative investment vehicles ("AIVs") for each Third-Party Manager in which participating Investors and/or SMA account holders may share in the economics attributable to the Participation Arrangement. Each Investor's and/or SMA account holder's participation in such AIVs will be adjusted over time to reflect its then current relative interest in the Fund/*pro-rata* assets under management, and upon a full withdrawal from the Fund/termination of IMA, the relevant Investor and/or SMA account holder will no longer have an interest in the AIVs or a share in the Participation Arrangement. It is anticipated that the General Partner will receive incentive allocations in respect of an Investor's interest in an AIV applied in a manner consistent with the Profit Allocation, *provided* that the investment results of an AIV will be aggregated with the investment results of the Master Fund for purposes of determining allocations by the Master Fund and such AIV. Similar treatment will apply to SMAs that participate in a Participation Agreement.

FHAM US will have full discretion to determine whether or not it will enter into a Participation Arrangement with any Third-Party Manager and will have full discretion in negotiating any terms relating to each Participation Arrangement. Folger Hill will have complete authority to

act on behalf of each AIV. The ability of any Investor and/or SMA account holder to share in any Participation Arrangement may be limited by legal, tax, regulatory and other considerations applicable to the Investor, the SMA account holder, the AIV, the Third-Party Manager, or Folger Hill. Folger Hill cannot guarantee that it will be able to accommodate any particular Investor's/SMA account holder's legal, tax, regulatory or other considerations in respect of the formation and structuring of an AIV and the negotiation of a Participation Arrangement.

Agreements with Investors and SMA Account Holders

The Funds and Folger Hill have and may from time to time enter into agreements with certain Investors (including Leucadia and Mr. Kumin) and SMA account holders that may in each case provide for terms of investment that are more favorable to the terms described in the PPM and/or those offered to other SMAs. Such terms may include, in respect of the relevant Investor's investment in a Fund, the waiver, reduction or rebate of the Profit Allocation, the provision of additional information or reports, more favorable transfer rights and more favorable liquidity rights, including additional permitted dates for withdrawals, the waiver or reduction of withdrawal fees, notice periods or proceed payment periods, the commitment to permit future investments when a Fund is otherwise closed to new or additional investments, or undertakings designed to address legal, regulatory or other internal policy considerations relevant to such Investor and/or SMA account holder. No such agreement will entitle any other Investor or SMA account holder to the same terms of investment.

General Leucadia and Jefferies Conflicts

A substantial portion of each of Folger Hill and the General Partner is owned indirectly by Leucadia, which is also the parent company of Jefferies Group LLC (together with its subsidiaries, "Jefferies Group"). Leucadia is a diversified holding company engaged through its consolidated subsidiaries in a variety of businesses, including buying and selling companies and business lines and making strategic investments in other companies and businesses, in each case from which conflicting interests, or duties, may arise. The Jefferies Group is a full service financial institution engaged in a wide range of investment banking and other activities (including, but not limited to, investment management, corporate finance, securities underwriting, trading and research and brokerage activities). Leucadia employs certain officers, directors and employees who also perform the same or similar roles for Jefferies Group. Clients may invest in, or pursue transactions with, any issuer of a financial instrument in which Leucadia is an investor or potential investor or for whom Jefferies Group is also providing investment banking and other services. None of Leucadia, Jefferies Group or any other part of Leucadia or Jefferies Group has or will have any duty to disclose to Folger Hill or use for Clients' benefits any investment opportunities or non-public information acquired in the course of engaging in any transaction (on its own account or otherwise), providing services to any other party or otherwise carrying on its business. Leucadia and Jefferies Group may engage in any other activities in the financial markets, including in the asset management and financial services industry, without regard to whether such activities compete with or act in an adverse manner to Clients.

In addition, certain members of FHAM US's Board of Managers that do not serve as officers of Folger Hill or FH GP (the "Leucadia Managers") are members of the senior management of Leucadia and Jefferies Group. The Leucadia Managers will be restricted from sharing with

Folger Hill or its clients any investment opportunities derived from their involvement with Leucadia's or Jefferies Group's other activities in the asset management or financial services industry due to information wall policies and procedures. Clients generally will not have any right to participate in or benefit from the Leucadia Managers' other activities. In addition, although the Leucadia Managers will be subject to information wall policies and procedures and will not have access to portfolio information of Clients (except with respect to the standard Client reporting received by all Investors/SMA account holders) or have any influence over investment decisions by Folger Hill, they will have general oversight of Folger Hill in their roles as members of the Board of Managers.

Jefferies Group and Advisory Roles

Jefferies Group may be advising or may in the future perform investment banking and other services for one or more of the issuers of securities held by Clients, as a result of which Jefferies Group may acquire material non-public information about such issuers. Jefferies Group has put in place information wall policies and procedures designed to prevent any person who has material non-public information about an issuer from purchasing or selling securities of such issuer based on such information or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities, including maintaining a restricted list of issuers whose securities are subject to restrictions on trading and other activities. Folger Hill has put in place similar information wall policies and procedures and additional information wall policies and procedures designed to limit the extent to which it has access to information about Jefferies Group's activities, as a result of which Folger Hill is not expected to be subject to trading restrictions resulting from Jefferies Group's activities. However, to the extent that such information wall policies and procedures do not successfully prevent Folger Hill from acquiring information about Jefferies Group's activities or Folger Hill otherwise acquires material non-public information, Clients may become restricted from acquiring or closing out a position in the relevant issuer or be required or expected to liquidate its position in such issuer, which may result in reduced profits or losses to Clients.

Jefferies Group May Publish Research and Market Commentary Which May Negatively Impact the Values of Client Portfolios

Jefferies Group may publish research and market commentary from time-to-time on financial markets and other matters that may influence the value of Client portfolios, or express opinions or provide recommendations that are inconsistent with purchasing or holding an interest in the Funds or Clients' investment objectives as a whole. Jefferies Group may have published, or may publish in the future, research, market commentary or other opinions that call into question the investment view implicit in an investment in a Fund or SMA. Any research, market commentary, opinions or recommendations expressed by these entities may not be consistent with each other and may be modified from time to time without notice. Each Investor and SMA account holder should make its own independent investigation of the merits of investing in a Fund or SMA.

Leucadia Investments

Leucadia made an aggregate investment of \$400 million to the Funds as of March 2, 2015. The "Leucadia Investment" is subject to a lock-up until August 15, 2019, subject to certain release

events. These release events include peak to valley loss thresholds, the occurrence of certain key person events, a minimum assets under management threshold, a specified withdrawal by Mr. Kumin, a breach of the Funds' investment guidelines or Leucadia's "side letter arrangement", any breach by Mr. Kumin of his agreements with Leucadia or Folger Hill, any regulatory, accounting or tax changes that are reasonably likely to have adverse consequences on Leucadia or its affiliates or Folger Hill, Mr. Kumin or the Funds becoming subject to any investigation, regulatory review or material litigation that, in each case, is reasonably likely to materially and negatively impact Folger Hill, the Funds or their prospects. In the event that a release event occurs, Leucadia may withdraw all or a portion of the Leucadia Investment in a shorter time frame than applicable to other Investors without regard to any interests of the Funds or the Investors. Further, the withdrawal of Leucadia in connection with a release event will not be subject to any of the restrictions on withdrawal set forth in the PPM (including but not limited to the suspension of Investor withdrawal requests in connection with the occurrence of a Key-Person Event). The Leucadia Investment may constitute a significant portion of the Funds' assets and any such withdrawal of the Leucadia Investment may have a material adverse effect on the Funds' portfolio. Leucadia may make or cause its affiliates or their clients to make additional investments to the Funds in excess of the Leucadia Investment. Such investments may be subject to terms more favorable than those set forth in the PPM. As an Investor, Leucadia, its affiliates or accounts managed by them may have rights, including information rights with respect to the Funds' exposures and performance that are greater than those provided to other Investors.

While Folger Hill generally exercises investment discretion with respect to the Funds, Folger Hill and the Funds have entered into an agreement with Leucadia which imposes investment guidelines on the Funds' investment activities, the violation of which may constitute a release event in respect of the Leucadia Investment. Although Folger Hill believes that such guidelines are generally appropriate given its current trading strategies, such guidelines may prevent the Funds from taking or maintaining certain positions in respect of its portfolio, or may otherwise constrain investment activity, resulting in the Funds not being able to take advantage of potential profit opportunities in the view of Folger Hill or being exposed to losses.

In addition to the Fund investment noted above, Leucadia has seeded a separately managed account advised and managed by FHAM US and FHAM HK. Folger Hill has developed investment allocation procedures (refer to the *Brokerage Practices* section above) that prioritize the fair and equitable allocation of investments among Clients over time. The procedures serve to ensure that no Client account, including those that may be affiliated with Folger Hill, are benefitting at the expense of other Clients.

Differing Profit Allocations

Interests have been offered in five Founders Series which are generally subject to lower Profit Allocation Rates than those applicable to Standard Series interests. SMA Profit Allocation Rates similarly differ with those specified in the PPMs.

Portfolio Manager Compensation Conflict

Portfolio Managers are typically compensated based on the performance of their portfolio. This compensation structure may create incentives to engage in more speculative activities than

would be the case if their compensation were not performance-based, particularly in any period after losses have been suffered. This compensation structure could also create an incentive for a Portfolio Manager to accept significant risks, in excess of levels that a Client would find acceptable, in seeking to obtain profits. Folger Hill has determined this compensation scheme aligns Portfolio Managers' compensation and incentives appropriately with Client's investment objectives goals and also monitors portfolio risk in an effort to identify risk taking that may not align with Client mandates.

Transparency of Positions

In an effort to protect the confidentiality of investment positions to the overall benefit of all Clients, Folger Hill generally will seek to limit such disclosure subject to obligations set forth in IMAs. Notwithstanding, asymmetry may exist in the level of transparency that is provided to different Clients. Notably, SMAs will benefit from position-level transparency in respect of the investment activities of FHAM HK. While Folger Hill believes the level of transparency to be typical in association with the SMA structure, a conflict does exist in the level of transparency as between Investors and SMA account holders.

PTE Structure

Although Folger Hill believes that the terms on which they provide investment-related, research, administrative, accounting, data processing, technology and other services to Clients (the costs of which are passed through to SMA account holders, the Fund, and Investors) are fair, the arrangements among Folger Hill and Clients involve inherent conflicts of interest.

PTEs include the compensation of Folger Hill personnel who are involved in the determination of PTEs, which represents an inherent conflict of interest. Included in the determination is an allocation of time that certain FHAM US employees spend overseeing/managing FHAM HK employees and/or perform services/duties for both FHAM US and FHAM HK. Again, a conflict of interest exists in determining how the labor costs will be allocated between FHAM US and FHAM HK, as Folger Hill may have incentives to allocate costs to one entity versus the other. Notwithstanding, Folger Hill has implemented procedures, including an employee time tracking system and the supervisory approval of the time allocations, to mitigate the potential misallocation of time spent between FHAM US and FHAM HK, in order to ensure that the costs are properly allocated among Clients. In addition to the sharing of PTEs, FHAM US and FHAM HK will also make a similar actual use determination of the allocation of the ongoing costs of shared systems and technology utilized by both FHAM US and FHAM HK. Potential conflicts of interest exist related to the allocation of shared systems and technology that are similarly mitigated through the noted controls. These determinations often involve matters of subjective judgment where the application of other allocation methodologies may have resulted in expenses being allocated differently.

There is no limit on the amount of PTEs that may be charged to Clients, except for certain distinct limitations applicable to the Fund. Folger Hill may use PTEs to improve various aspects of their business, including for purposes of developing their technology, data processing capabilities, information systems and operations, as well as enhancing their recruitment and retention of Portfolio Managers and other personnel. Such enhancements may benefit the Folger Hill in respect of other aspects of their business other than their management

of Clients. Investors and SMA account holders will not participate in or benefit from such other aspects of Folger Hill's business. Any property purchased or intellectual property generated by Folger Hill will be solely the property of Folger Hill, notwithstanding the fact that Clients bore the initial and on-going costs of its acquisition, development and maintenance.

Folger Hill will use PTEs to pay for a service level agreement with Jefferies and Leucadia that provides for the provision of services related to human resource functions, the leasing of real estate and other functions. While Folger Hill believes that the terms of this service level agreement are generally no worse than those that would apply in respect of an agreement for similar services with an unaffiliated third party, Folger Hill has a conflict of interest in using PTEs to engage Jefferies and Leucadia for these services. Additionally, Folger Hill will use PTEs to pay the principal and interest in connection with a working capital line of credit provided by Leucadia used to fund the expenses of Folger Hill and Clients. Folger Hill will have a conflict of interest in using PTEs to pay any interest amounts to Leucadia in connection with the use of such credit facility.